"Techno Electric & Engineering Ltd. Q4 FY22 Earnings Call hosted by Asian Markets Securities Limited"

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MANAGEMENT: **MR. P.P. GUPTA – MANAGING DIRECTOR, TECHNO ELECTRIC & ENGINEERING LIMITED.**

MODERATOR: **MR. KAMLESH KOTAK – ASIAN MARKETS SECURITIES LIMITED.**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY'22 Earnings Conference Call of Techno Electric & Engineering Limited hosted by Asian Markets Securities Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involves risks and uncertainties that are difficult to predict. Actual results may differ from such expectations, projections, etc., whether expressed or implied. Participants are requested to exercise caution, while referring to such statement and remarks. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal and operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kamlesh Kotak from Asian Markets Securities. Thank you and over to you, sir.

Kamlesh Kotak: Thanks, Steven. Good afternoon, everyone. On behalf of Asian Markets, we welcome you all to the 4Q & FY'22 Earnings Conference Call of Techno Electrical & Engineering Company Limited.

We have with us today, Mr. P.P. Gupta ji -- Managing Director and the Senior Management Team representing the company.

I request shri Gupta ji to take us through an overview of the quarterly and yearly results for the financial year FY'21-22, and then we shall begin the Q&A session. Over to you, Gupta ji. Thank you.

P.P. Gupta: Yes. A very good afternoon to each one of you to discuss our financial results for the last Q4 ending 31st March and our financial results for the year-ending March '22.

Anything said on this call, which reflects our outlook for the future or that could be construed as a forward-looking statement must be reviewed in conjunction with the risks that industry faces and which in turn is applicable to the company too.

Let me quickly highlight our performance for the Q4 financial year '22. The total revenue stands at Rs.307.5 crores, up by 43% year-on-year and the revenue for EPC stands at Rs.304 crores against Rs.212 crores last year, up by 43.32% year-on-year. EBITDA margin for the EPC division is at 13.13% compared to 15.12% last year.

Revenue from wind segment is at Rs.3.5 crores. EBITDA of the company stands at Rs.39.20 crores compared to Rs.18.96 crores in the same year, same period last year. Operating profit in the EPC segment for the quarter these that Rs.39.58 crores compared to Rs.31.72 crores last year.

We experienced some pressure in the EBITDA margins due to prevailing inflation and high commodity prices cycle and also higher overseas rate.

The other income is at Rs.3.08 crores. Profit before tax was at Rs.31 crores nearly against Rs.53 crores last quarter. PAT for the quarter is Rs.37.2 crores compared to Rs.13 crores last year, that is up by around 200%. EPS is at Rs.3.39.

For the whole year, if we look on, revenue is at Rs.1,074 crores compared to Rs.889 crores, up by 21%. Revenue from EPC is at around Rs.990 crores compared to Rs.790 crores, up by 25%. EBITDA margin is at 15.58% compared to 18% last year.

Revenue from wind segment is at Rs.85.63 crores compared to Rs.64.15 crores last year. But considering the adjustment for the one-time revenue of Rs.36 crores because of the tariff order, the turnover in the books was around Rs.100 crores.

EBITDA for the company stood at Rs.222 crores, up by 3%. As stated earlier, the same is also influenced by the one-time wind segment income of Rs.35 crores.

The operating profit for the EPC segment is at Rs.153.5 crores compared to Rs.143 crores last year, up by 7%.

EBITDA for wind segment is at Rs.68.96 crores.

The other income is at Rs.150 crores compared to Rs.84 crores which includes profit out of the sale of JV company of Rs.110 crores. Similarly, other income for the previous year too included a profit from the sale of a transmission asset in Haryana for Rs.45 crores.

The profit before tax is at Rs.324 crores compared to Rs.250 crores last year, up by 30% and profit After Tax stands at Rs.260 crores compared to Rs.200 crores last year, up by 30%. EPS is at Rs.23 and Rs.23.7 roughly.

The current investment revenue including cash and cash equivalents is at around Rs.1,200 crores, that is more than Rs.100 per share.

We have received various orders totaling Rs.800 crores in the current year up to March '22. We were L1 in two HGD orders worth Rs.1,600 crores in Rajasthan and also various transmission orders of Rs.445 crores stands as confirmed order as of now.

Unexecuted order book as on 31st March 2022 is Rs.1,500 crores. This gives the visibility of order book as of today of more than Rs.3,500 crores. We are further L1 in the business the extent of about Rs.1,000 crores.

This is first time we are able to achieve an order backlog of around Rs.4,000 crores after almost five years. This will help in doubling the top line in next three years and more.

As committed in last quarter, we have been able to tide over the difficult times, I would say, had shown growth in this year. So, this I would like to classify that this is a recovery year by and large and going forward '22-23, we look upon as a growth year stabilizing growth year. But major growth will happen in the second half of the coming year.

We expect large business growth in FGD segment, AMI segment, data centres. In the coming years, we see strong power sector reforms as power and industry coverage.

Additionally, there is a significant focus and stress on efficiencies, stability, reliability, power supply, cost of power, improvement on the financial health of the discoms. But presently it continues to be a challenge.

The focus will continue to be on renewable power and related transmission infrastructure and energy storage infrastructure. The transmission infrastructure for renewable power is required to be 500 GW as committed in Glasgow Convention by our Hon'ble PM and additionally 25 to 30 GW of energy storage solutions at grid level, are being proposed to be doing over the next five years.

The FGD segment continue to be strong and focus in this year and in the near future. As per notification of government of India, all coal-fired thermal power stations aggregating more than 200 GW, need to limit their sulphur emission SOx, NOx both as notified by pollution department by December '24. There is a considerable progress with CPSU and now we see more progress with these SEBs also. In coming years, we definitely expect more business from SEBs, CPSU and private sector. We have recently received two orders Rs.1,600 crores which were L1 last year, and we are again L1 in order with DVC of Rs. 700 crores which got the letter after last year. This level of business will continue for next three to four years as 80 GW is yet to be ordered out.

In the transmission segment we see a status quo in the transmission because the sector is primarily lifted to now renewable power evacuation. The TBCB bidding of 66 GW out of 174 GW this is in progress.

We are happy to state that we had already received two orders in last month or two from Adani for whatever concession they won at Khavda as well as that Kadur. And we also plan to bid NTPC packages to the extent of Rs.1,500 crores in partnerships.

The allocation for strengthening power system has been doubled to 29.8 billion in union budget of the current year. We see good interest from large investors, InvIT funds to participate in above bids which by making the company a significant partner. This will enhance our access to capital at best, will also enable us to be competitive in bidding.

The PMDB programs and metering, AMI segment is progressing steadily. This segment will see a lot more interest in the coming years. The main aim of government is to improve efficiency and sustain losses so that the health of these costs could be improved.

We are keen to work as EPC in this segment more than as DPR-14 player because we are afraid at the moment that working with discoms as counterparty is relatively high as experienced by us as a genco.

We have been reading in the media and strongly believe that amendment to electricity act, tariff policy and elimination of cross-subsidy, etc., are in the pipeline and they may happen soon. We do believe that the sector is at a critical juncture and definitely every sector in India in crisis, good thing starts happening. So, we should expect some good news there also.

Wind Segment: We have received our payments up to June '22 and we have also been favored by Madras High Court order to claim our all outstanding interest dues by the end of June '22 and we are hopeful of getting these payments now.

The Data Centre I would say that as already stated the COVID has impacted our life in multiple ways, but one positive outcome is the growth in the digital space. With the growth of digital space backed by IT policies and on data privatization, it is expected that the third-party data centre in the industry are likely to be around five GW by 2030 and two GW by three years from the existing 500 MW capacity.

Till date, most of the data centres are located in Mumbai and Chennai, and we are also in Chennai very close to EDEL, Adani, EQNext, Sify, are already in the process of setting up our data centre at Siruseri. This further validates our choice of the location as a first mover.

We are in an advanced stage of setting up of this data centre of 40 MW of grid load, and 24 to 25 MW of IT load and scalable hyper density for which construction work has already started at site. And all statutory clearance for the project have been received. We are hopeful of getting first phase ready by June '23. We will also captively consume wind energy on these data centres so that it's a grid data centre to align with the policy of major hyperscale customers because of their ESG commitments.

With CAPEX of Rs.1,200 crores and Rs.40 crores per MW of IT load, the 65% is almost in the domain of the Techno Electric, which is largely on the corrector of electromechanical work, energy storage ones, stead by energy solutions, which is in-house capability of the company, as we'll be able to leverage the expertise.

We have been further favored by allocation of that investment at Kolkata in a place called Silicon Valley along with TCS and Reliance to set up a data centre. We are also eyeing to have a 250 MW capacity by 2030 as already committed.

With this, now I open the forum for any further details, clarifications.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sandeep Tulsiyan from JM Financial. Please go ahead.

Sandeep Tulsiyan: Sir, first question is on the order inflows mainly if you could give a little bit more color? Our order inflows were close to Rs.500 crores in first nine months and the way our order book has declined on a year-on-year basis from Rs.1,950 crores to Rs.1,500 crores. We are not able to reconcile it with this Rs.800 crores order inflow. So, does this Rs.800 crores include some L1 orders that you have stated?

P.P. Gupta: No, no, no these are all orders received in hand as of 31st March '22. And thereafter, we have further received orders worth Rs.2,045 crores in last two months. So, the order opening for the year was at Rs.1,600 crores. We booked the new business worth Rs.800 crores and executed around Rs.1,000 crores and as of March end the closing is at almost Rs.1,450 crores to 1,500 crores. But thereafter, we have further received business worth Rs.2,000 crores plus. So, that total order backlog as of date is Rs.3,500 crores.

Sandeep Tulsiyan: More so on that, just want to understand from a pipeline perspective, say, we have received orders of Rs.2,500 crores in addition to Rs.800 crores what we have bid. Now, going forward, how should we look at the further orders which are there in the pipeline, and which can get booked in the balance of FY'23 and '24? What should be the portion of T&D, FGD as well as the smart metering, broad guidance on those lines these?

P.P. Gupta: I have already more or less made some statement that transmission status quo will continue and this will continue to contribute a top line of about Rs.600 crores for us year-on-year. Another Rs.300 crores to Rs.400 crores we should see out of the AMI and EMPP that is the system strengthening solutions year-on-year. Additionally, we should see a top line of another Rs.1,000 crores out of the FGD segment now. So, in the next three years, we definitely see our top line doubling and our aim I should say, whatever three years we lost, now we have to make up. So, in next three years, we see our top line definitely doubling. Order intake will continue to be at no less than Rs.3,000 crores. By the time we close this year, the order backlog may be Rs.4,000 crores and next year it should be Rs.5,000 crores plus. So, major growth in business will happen in FGD, it will happen in data centres, as well as it will happen in the metering sides.

Sandeep Tulsiyan: Second question is on the data centre side. We highlighted earlier that the CAPEX is going to be Rs.1,200 crores for the data centre, as well as there will be a separate battery storage system which would probably require some additional CAPEX. So, if you could highlight how much additional amount that the company will be funding towards this battery storage systems?

P.P. Gupta: One is a battery storage solution to be deployed within the data centre and one is that as a grid backup solutions, additionally light transmission on BOOT basis in the country. So, as far as our data centre is concerned, there will be no increase in CAPEX, because it will be by and large replacing some portion of the UPS site, and some portion on the captive power site, because this will be acquiring a power layer in between two of them to stabilize the power supply to the data load basically. So, we will like to squeeze this with no additional CAPEX as well as data centre is concerned. The amount of solutions deployed may range anywhere from maybe 10 MEH by and large. But if the affordability improves over the time in next six to nine months, that maybe we can think of even a little bigger as against DG sets additionally. So, we will do some technology balancing as we go along. But, I can assure you, it will be a futuristic data centre for tomorrow and state technology grid element for five years, it will be putting to data centre.

Sandeep Tulsiyan: What is the CAPEX that we are wanting to deploy in data centres in FY'23 and '24? And also separately on grid backup battery storage, what will be the business model there and what can be the CAPEX that we will deploy over there?

P.P. Gupta: By and large coming to data centre side, we have now spent about Rs.50 crores already on acquiring land and the related approvals, consultancy, designs, statutory approvals, and whatever construction work has already happened. During '22-23, we are spending up to Rs.500 crores and another Rs.500 crores in the year '23-24. But that may be advanced depending on interest in occupancy levels of the data centres, number one. As far as the grid backup is concerned, this business is still I will say in the evolving stage. But we see a great future going forward in this business. At the moment, this grid large scale solution are still not very affordable I would say like public solutions or hydro solutions or even gas-based power generating solutions to create kind of peak load stabilization solutions. So, we will wait and watch. At the moment in next one year, we are not envisaging any CAPEX on grid backed battery storage solutions. So, our focus will be mostly on data centres. In '23-24, we may have one more data centre in construction in addition to the one already in construction. So, that would be additional CAPEX. The ongoing data centres, the CAPEX is Rs.500 crores, plus if a new data centre starts that may also have a CAPEX of another Rs.250-300 crores.

Sandeep Tulsiyan: So, what is the equity commitment because our understanding was that we will probably wait for a partner to come in place and only then start deploying this money because the equity commitment you had mentioned in earlier calls will be restricted to Rs.250 crores or Rs.300 crores in that ballpark?

P.P. Gupta: You're absolutely right, it will be like that only. We have strong interest already from the many entities on this partnership, and we are very hopeful to crystallize it by September. Otherwise, we have to find from our own resources, it will be up to Rs.500 crores of this year, which comprises of Rs.250 crores of equity and balance through the short term loans to be replaced by the partner when he moves.

Sandeep Tulsiyan: On this cash balance and the capital allocation policy of the company, you mentioned that now Rs.1,200 crores is the total free cash that the company has and it can generate at least Rs.100 crores of other income every year. So, how much of this cash do you plan to deploy in existing business which is predominantly in data centres? And how much do you plan to pay out to investors in whatever form, dividend or buyout?

P.P. Gupta: We can look at it like Rs.500 crores for data centres, Rs.500 crores for investors over the next two to three years, and another Rs.200 crores to the EPC business.

Moderator: The next question is from the line of Rishabh Garg from PP IPL. Please go ahead.

Rishabh Garg: Sir, I wanted to understand that in FY'23 in the EPC division, what kind of top line are we looking at?

P.P. Gupta: Without considering the data centre, EPC work which may perform, from the conventional side, you can expect about Rs.1,300 crores, a growth of Rs.300 crores over last year.

Rishabh Garg: Sir, also you mentioned in the last call that very soon we will hear something about the share buyback. So, is that still under consideration?

P.P. Gupta: You will hear very shortly I have just now answered that Rs.500 crores is allocated to the investors, that will go mostly in the form of buyback only. Year-on-year, we are carrying out buyback for next two, three years.

Rishabh Garg: Sir, even though last year our EPC income increased from Rs.790 crores to almost Rs.1,000 crores. Sir, our operating profit in this segment was almost flattish around Rs.152 crores versus Rs.145 crores year before. So, going forward for FY'23, can we expect some margin improvement or margins will continue to be under pressure?

P.P. Gupta: I will expect you to get it. We are still outperforming the industry with given inflation level, commodities all-time high. They are only impacting the costs with us also. Definitely, we are seeking some kind of reliefs with our customers in passing on some part of the cost to them as a BV or as elevation in prices. So, this is an ongoing challenge between you and me. Already, steel prices have softened a bit a week back by Rs.10 Kg. We further expect softening happening. But till global inflation slows down, I don't think much is going to happen at least not for a year more. So, I think this year, we should not expect very high rise in EBITDA which we are at around 13%-13.5 by and large or maybe 12.5%-13.5%. Hope we are able to pass cost more to the customers.

Moderator: The next question is from the line of Akhilesh Bhandari from ICICI Prudential AMC. Please go ahead.

Akhilesh Bhandari: You mentioned that on the smart metering side you're looking more at now the EPC route rather than investing yourself. So, can you give an idea about what sort of tender pipeline is there or what sort of bids are expected to come out in this space?

P.P. Gupta: Well, we are expecting tenders over next two years for about 15 million meters in EPC space by Power Grid and REC basically by and large. Power Grid will be coming out with 8 million to 10 million and REC should float tenders for another 5 million to 7 million in EPC route. So, we will be aspiring to acquire at least half a million meter work out of this pipeline as Power Grid is our old customer, well known to us by processes. So, we are hopeful for achieving more success. And if government mandates more CPSU to carry out machine work that will be very exciting opportunity for the company.

Akhilesh Bhandari: Given that you're executing the J&K order, you have all the necessary pre-qualifications, right?

P.P. Gupta: Absolutely. We are fully qualified, sir. Even otherwise given our background in power sector, each customer is willing to follow what Techno can meet that requirement. It's not a challenge anymore in any aspect of the power business.

Akhilesh Bhandari: About competition, which will come given that there will perhaps be multiple companies which will be looking to work with Power Grid and REC on this metering side, given that you will not directly be interfacing the states and the payment risk will reduce, do you think that you can achieve your normal margin range of around 14%, 15% in this business?

P.P. Gupta: A million dollar question, but let me be honest, it depends on the mix of the program to be carried out if metering plus some power strengthening solutions are integral part of the package that, yes. On the meter also, I will say that most of the known metering companies are fairly booked today with the stage already of 30 or 40 model. So, there will be a space for us to work with a little less known meter manufacturers or solution providers in this space, that margin should be available. We should have a space to add value. In EPC space, you please understand, the margin do not come out of what you have done in the pricing, it's more comes out by your efficiency and avoiding wastages. Once we get an order, it all becomes a loss management game, more than profit management game to us. As little loss you incur, more profit you make at the end of the day. That is how these business goes and we have successfully practiced over last 20-years. So, I see no reason why we should not able to repeat in metering also.

Akhilesh Bhandari: And one last question on the FGD orders which you have recently received. So, these would be at the current commodity price levels, right, there will not be anything which you have lost, which you will have to take for the price increase which has already happened?

P.P. Gupta: Absolutely. You are perfectly right. In larger markets, most our investors have not understood our strategy of not picking up business last year. It was only this fear of wars, uncertainty, challenge conditions and so much of economic issues prevailing all around. The EPC is a very, very challenging business in any uncertainties. So, definitely, you are perfectly right, sir. Our new business is adequatetely priced and no hang over of the past, it is almost based on no less than one crore per megawatt now. That is the cost of executing the solutions, not Rs.60, Rs.70 lakhs anymore.

Moderator: The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: I just wanted to understand something on the revenue mix side. Now, over the next two to three years, how do you see your revenue mix changing, especially from the data centre side?

P.P. Gupta: Data centre is a little bit tough business I will say. You have to create a capacity. It works more like a rental proposition. Like you need recharges in case of transmission assets year-on-year. The prevailing rate is $90 / 100 dollar per kilowatt or 1 kVA charging basis. So, I will say that this top line will start getting influenced only from '23-24 but will be most strongly visible from '25-26 onwards that this income may be almost around 20% of our top line and maybe almost you can say 30% of the bottom line as you are seeing in our wind segment or transmission assets.

Deepak Poddar: So, largely Rs.500 crores by FY'26 for data centre revenue is that -?

P.P. Gupta: In '25-26, we can expect Rs.500 crores.

Moderator: The next question is from the line of Rahul Modi from ICICI Securities. Please go ahead.

Rahul Modi: Sir, one question I had on how are you seeing the market in transmission ordering picking up for the green energy corridors because last two years due to various issues such as inflation, commodity, the bidding pipeline, which was already there almost Rs.40,000 crores, we saw that not being materialized meaningfully, so, how do you see that over FY'23 and '24 coming through? And secondly, sir, on the FGD orders, I believe the power ministry is again requesting to push the date further in terms of implementation. So, do you see any slowdown due to that or you are confident that the balance 80,000 MW will come in over the next couple of years?

P.P. Gupta: As predicted also in many calls, deferring a date definitely helps us because business becomes more spread over a longer period for us. And we expected that this market should stay till '27-28 and '24 will not be the end of it as we also cannot deliver more than three to four solutions at a time. So, this helps us also. The total business as projected, as I stated earlier also, which is leftover the 80 GW, which is roughly around Rs.80,000 crores in our perspective. And if we take it as Rs.15,000 crores every year, that we get to book a business of around no more than Rs.1,500 crores every year out of this lot. So, we definitely see this business to carry on for next five years as we are planning, and it should continue to give us a top line of Rs.1,000 crores for next five years. And similarly, over the next three to four years, data centres will start adding another Rs.1,000 crores, whereas transmission, distribution will also continue to add another Rs.1,000 crores. So, in next three years, we definitely see our top line growing to double of what we are now. And we won't be surprised if we touch Rs.5,000 crores by 2030. That will be our mission statement.

Rahul Modi: Do you see in FGD we have seen across the board margins being very low, do you see we've bottomed out as a sector for the FGD execution in terms of margin overall?

P.P. Gupta: No, sir. The question is like your stock market when you enter and when you exit, that defines the market. So, in FGD, the entry point is very important. And doing your job in time is very important so that your costs are properly hedged and protected, which is relevant in any EPC business of course. You cannot lose out your value added through losses or inefficiencies. Generally, Techno have never believed in carrying order backlog more than double. Because generally our each project takes around two years, two and a half years to complete. So, our order backlog will never be more than two to two and a half times of the top line. That's how we plan. This three-year stagnation had definitely pushed us back. But the order backlog has shrunk to no more than 1x to 1.5x, but in hind sight it looks it was a blessing because of these inflation and commodity cycles. So, going forward, we will restore these to two to two and a half. Entering at the peak of the commodity is always a challenging to the EPC players, because you are always safe from the future threats.

Moderator: The next question is from the line of Abhishek Poddar from HDFC Mutual Fund. Please go ahead.

Abhishek Poddar: Regarding data centres on the EPC side, some more clarity, whether you have already started bidding for work outside your own data centres? And then on your own data centres, you highlighted about work going on in the first one and second one possibly coming in. So, what is the plan there in terms of how much EPC work should we expect in '23-24? And beyond two, would you also go for third or fourth or how the capital allocation will be decided there? The last question on data centres is if you get a profitable exit, would that be the case or you would want to carry it on your books?

P.P. Gupta: Let me restate my position as of today. Of course, if it improves rewards, which is part of our business to deliver better rewards to our stakeholders, investors. Firstly, we are doing 250 MW as of today as our target by 2030, that is what our target. So, 250 MW will also mean around five to six stations by and large. Firstly, one year, we will definitely like to invest and plan and perfect our concepts and technologies in our own data centre before we go to the market. So, definitely up to June '23, we are not going to remarket for any EPC work. So, only post-June '23 having made one data centre operational, we will start looking for third-party business also, in addition to developing our own data centres. It will be like a transmission business of ours by and large as a mirror image, we have been developing, as EPC to state utility, central government utility, private utility, and also developing assets of our own. And once revenue stream is stabilized taking asset in it. So, in data centre, the trajectory, although we have in mind, but how it will get navigated, I don't want to be very, very precise on it, because we will try to do as a best reward to the investors. At the moment, we are only looking on investors at a given data centre basis, not at a holdco level.

Abhishek Poddar: Just this 250 MW target by 2030, so does that mean that we would be building 250 MW by 2030 and maybe all of that will be not in our books or -?

P.P. Gupta: Absolutely, right. We will be hoping that and maybe in books, maybe at that time 150, maybe 160, Like that and half of that 100 MW we will definitely have exited out.

Moderator: The next question is from the line of Tejas Mehta from Omkara Capital. Please go ahead.

Tejas Mehta: Sir, just wanted to understand the cost economics of a data centre that you're putting up?

P.P. Gupta: What precisely you want to understand?

Tejas Mehta: The CAPEX cost is about Rs.45 crores per megawatt if I am not mistaken -.

P.P. Gupta: Rs.40-45 crores you can take.

Tejas Mehta: And then how much revenue and EBITDA do you think you can make from these data centres in case if you're not able to offload it then, how does it fit into the business parameters for you?

P.P. Gupta: You can take roughly around Rs.10 crores per year per megawatt.

Tejas Mehta: That is revenue you mean to say?

P.P. Gupta: Revenue, that is the rental cost you can say, a centre of 25 MW, say Rs.250 crores.

Tejas Mehta: EBITDA would be approximately how much in this? This is all automated, so –

P.P. Gupta: EBITDA will be almost 80%, because our power remains a pass-through cost in operations.

Tejas Mehta: Like you mentioned that you'd be looking out for the EPC work on the data centre side outside after June '23, so, how much work do you expect that you can get in that part of the market?

P.P. Gupta: The target of the country is to have 5 GW by 2030. So, even if I aim for 5% of it, is good for us, that itself will be no less than 250 MW. My EPC work even if I take as Rs.20 crores per megawatt, it is Rs.5,000 crores contract from third parties apart from our in-house work of no less than another Rs.5,000 crores, 100 MW going at a time down three years.

Tejas Mehta: So, 250 MW at a Rs.40 crores run rate is about Rs.10,000 crores and of these about Rs.6,500 to Rs.7,000 crores is what we can do internally right, the EPC work?

P.P. Gupta: Yes.

Tejas Mehta: You'll be making the same 15% margin on this work internally?

P.P. Gupta: I think IT sector company works no less than. Per se, it will be ambitious to say for a power sector company to expect 20%-plus return, but definitely we like to have 50% plus/minus EPC margins.

Tejas Mehta: The question is on smart meters. So, if you read international articles on this, the lifetime of a smart meter is very short; it's not more than five to seven years is what you read online and the CAPEX cost per meter is also pretty large; it's about 9,000 to 10,000 which include all the services and infrastructure. Do you think smart metering is viable in a country like India given the replacement will keep happening after a few years and do you think because of this the project can be very slow and it will be spread over more than five or 10 years?

P.P. Gupta: If you ask my view, I've always held the view that this is not a desired CAPEX by government of India, because they need to classify the type of consumers adding consumer paying a bill of less than Rs.10,000 a month, don't deserve a smart meter. You can have a device, which can be supplied at a cost of no more than Rs.1,000 rupees and which can have all features of a smart meter other than the remote control. You have to only this mode of communication which cannot be RFS. So, it can be WiFi, it can be WhatsApp, it can be e-mail, you can use any other mode of communication, maybe telephony, 5G if it happens, and you have a lot more devices to communicate. And that is what government should think of. Ultimately, a smart meter is required by those who wants to monitor the quality and uses of their power. But not for a consumer of Rs.1,000, Rs.2,000, he hardly understands quality of power or uses of power. That is a basic necessity he needs.

Moderator: The next question is from the line of Sandeep Tulsiyan from JM Financial. Please go ahead.

Sandeep Tulsiyan: I had a couple of follow up questions. Firstly, on these FGD projects, what we heard from some of the other players is that they had bid for some orders and because the finalization of orders was delayed, and these were fixed price contracts, the final margins may not correlate with what they had bid for initially. So, if you can highlight whether our projects also of such nature or is there a price variation clause?

P.P. Gupta: Sandeep, firstly, we don't take any order with the maturity of more than one year without giving loss loss as a way of life. So, all our orders have BV clause and they fully compensate for any variation in the commodity cycles in the existing FGD order also and newly bagged also between you and me. These fixed price orders only happened in private sector by and large between you and me. So, we have been always discouraging engagements with private sector by and large because they have extra involvements, engagements beyond work. So, as far as we are concerned, we know what we have bidded for and we will assume no risk more than what is desired to be taken to stay fit in the business.

Sandeep Tulsiyan: Can you share more details, which state, genco these projects are for, what is the configuration and specific value of each of these orders?

P.P. Gupta: Yes, no issue. Why don't you visit us? Why you ask in a public forum?

Sandeep Tulsiyan: One small follow up is that, a lot of equipment manufacturing companies are saying that these FGD projects will have a lot of recurring revenue because of the wear and tear and is very high because they handle the slurry which is very thick and causes damage to the equipment. So, from that perspective, will we also have a play in that or once that EPC income is booked, we don't have any play on the aftermarket side?

P.P. Gupta: Firstly, Techno is a zero-manufacturing company, we are purely a solution company on turnkey basis. So, equipments are all outsourced by us, number one. But, definitely, FGD projects have O&M involvement for three years post-COD of the projects, but we will be sourcing equipments, we will also have these commitments back-to-back from the suppliers to provide these O&M services free of cost with spares, with inputs, whatever required. Secondly, I will also share with you that our technology is one of the most proven and best in the world, which is a Korean technology and it started from America and now in Korea, they have recently taken over their all holdco in Germany also. So, they have become very strong source of technology, rather all our competitors want to pitch in to our technology providers as a matter of fact, because world is phasing out. So, we have been part of this business for last 40-years, we know what is what. So, we always engage with the best of the best companies, companies of our size and scale who recognize and service us in partnership. And also, we are leader in our technology is no great than usual in any power house. So, our systems are well engineered, they are robust, they are stable in performance. So, all these concerns are not relevant, I would say. In engineering industry based on experience, you can design a very fragile solution as well as you can have a very robust solution. So, it's a matter of your experience and knowledge how you handle it.

Sandeep Tulsiyan: One final question from my side is on the receivables, which were under suspicion whether we will be able to recover that amount or not. We were sharing an update every quarter. How much of that is still pending in our receivable what we report, so where is that figure now in this Rs.584 crores debtors if you can just give an update on that?

P.P. Gupta: We never had a concern on debtors. Debtors all paid out. What we had a concern on certain investments which we have done. So, investments also, we are more or less true sir, if you will see our current year's balance sheet, it has come down to more than Rs.100 crores and by March '23 we will be out of it.

Moderator: As there are no further questions, I now hand the conference over to the management for their closing comments. Over to you.

P.P. Gupta: Yes, I would like to thank all of you for joining the conference and have a very frank and open discussions with us on all issues related to our business and financials. Still, if you have any query related to any issues on the business or related to the power sector, now called energy sector, you are welcome to drop us a mail or visit our office, and we do happy to receive you and take you through our all processes of carrying out our responsibilities as I mentioned in a most secured manner with no grudges in any business. With that, I would like to close the conference and thank everybody for joining us. Welcome. Thank all of you once again.

Moderator: Ladies and gentlemen on behalf of Asian Markets Securities Limited we conclude this conference. Thank you all for joining us and you may now disconnect your lines.